WONG SONG & ORS

v.

HIAP LEE MANUFACTURING INDUSTRIES SDN BHD

HIGH COURT MALAYA, JOHOR BAHRU
ABDUL MALIK ISHAK J
[CIVIL SUIT NO: 22-146-1992]
5 SEPTEMBER 1997

CIVIL PROCEDURE: *Injunction - Infringement of registered design - United Kingdom Designs (Protection) Act 1949, ss. 3 & 6 - Ex parte interlocutory injunction - Undertaking as to damages - Form 58 - Rules of the High Court 1980, O. 29 r. 1(4)*

CIVIL PROCEDURE: *Pleadings - Amendment of defence and counterclaim - Delay in applying for amendment after close of pleadings - Rules of the High Court 1980, O. 18 r. 20 - Effect of amendment - Damages - General damages, whether cause of action would call for such prayer*

LEGAL PROFESSION: *Solicitor - Fiduciary duty of - Negligence*

The plaintiff's claim was based on their rights to two registered designs registered in the United Kingdom which was infringed by the defendant. A letter of warning was issued to the defendant but to no avail. The plaintiff then obtained an *ex parte* injunction against the defendant after giving the relevant undertaking as to damages to the defendant. The defendant failed to comply with the *ex parte* injunction and the plaintiff sought leave to commit the directors of the defendant's company. At the hearing, the defendant sought to set aside the *ex parte* injunction but the court gave judgment to the plaintiff by ordering the injunction to remain and ordered the defendant to pay costs. No appeal was lodged by the defendant against this decision.

The defendant then proceeded to apply to the senior assistant registrar ('SAR') to amend their statement of defence. The proposed amendments comprised of two parts, the first part was in regard to the original defence whereas the second part introduced a counterclaim for the first time.

The SAR dismissed with costs the defendant's application and hence the present appeal to the judge-in-chambers.

Held:

[1] Great care must be exercised when drafting a pleading. Once a solicitor and client relationship has been established, the relationship becomes onerous as the solicitor must act professionally in the discharge of his fiduciary duty.

[2] Negligence existed in the following set of circumstances:

(a) Where before instituting an action (this included preparing the pleading), counsel failed to investigate with meticulous care into the cause of action;

(b) While preparing the pleading counsel knew that his client had done some act which would preclude that client from recovering, but counsel neglected to address this point to the knowledge of the client or to point this out to the client;

(c) Where counsel knew that success was improbable yet counsel advised his client to enter into litigation;

(d) Where counsel relied and proceeded under a wrong statute or section of a statute or failed to refer to the correct statute;

(e) Where an action was filed in the wrong court, for instance, where the action was filed in the Sessions Court whereas it should have been before the High Court;

(f) Where the action was filed in an inferior court although counsel knew all along that the cause of action was outside the jurisdiction of that inferior court;

(g) Where there was a failure to issue the writ or renew the writ in time to prevent the application of the Limitation Act 1953;

(h) Where counsel dragged his feet causing not only delay but inexcusable delay in instituting the claim in the court of law;

(i) Where counsel failed to prepare the case properly for trial;

(j) Where counsel failed to note the presence of a material witness whom his client had wanted to call was present in court and consequently that material witness was not called to the stand with the result that the client lost the case;

(k) Where counsel knew that there was a good defence to the action but counsel simply allowed the plaintiff to obtain judgment by default;

(l) Where counsel miserably failed to issue execution;

(m) Where there was an offer to compromise but counsel failed to communicate this to client;

(n) Where counsel knew that the appeal was bound to fail yet he advised his client to proceed with that appeal; and

(o) Where counsel totally neglected and failed to file a pending action when directed.

[3] The United Kingdom Designs (Protection) Act 1949 ('the UK Act') had been in existence since 1949 and the statement of claim had alluded to the fact that the plaintiffs were the registered proprietors of two designs registered in the United Kingdom. This should have alerted the defendant's counsel to refer to the UK Act so as to appraise himself of the law and prepare the statement of defence professionally.

[4] Paragraph 22(c) of the proposed counterclaim was negligently drafted as it should not be there in the first place and the prayer was beyond the jurisdiction of this court to grant. An oral application to withdraw the said paragraph by counsel for the defendant in the course of his submission cannot be entertained. A formal application was called for and should be the only course to be adopted.

[5] Paragraph 22(a) of the counterclaim had sought for general damages whereas paras. 13 to 21 of the counterclaim had not disclosed a cause of action which would call for a prayer for general damages, unlike in the case where the proceedings were grounded on contract or trust or a running down case. Instead, the present case was grounded on the UK Act and the implications thereunder.

[6] It is trite law that the court is empowered to require an undertaking of any kind from the applicant or to impose any condition as it thinks just before granting an interlocutory injunction. The purpose of the undertaking as to damages is to vest the court with the appropriate jurisdiction to make the appropriate orders to recompensate the loss suffered by the defendant in the event it is proved that the plaintiffs are not entitled to the injunction in the first place. Unless an undertaking is given, the defendant will hardly have any recourse against the plaintiffs.

[7] Although an undertaking as to damages is not provided for in the statute book and is a creature of common law, yet Form 58 of the Rules of the High Court 1980 has inserted an undertaking as to damages and that is the law of the country before an interim injunction is granted.

[8] The ability of the applicant to honour his undertaking as to damages is a material factor in the balance of convenience but the courts will not deny the applicant an interlocutory injunction simply because he is of limited financial means. It is the duty of the applicant to show to the court the circumstances which may affect the value of the undertaking.

[9] In the present case, both parties agreed that the pleadings were effectually closed as provided for under O. 18 r. 20(1)(a) of the Rules of the High Court, 1980. There was delay in filing the proposed amendments to the statement of defence. That delay, be it through negligence or carelessness, would be immaterial as amendments would generally be allowed, provided: (a) the other side was not prejudiced; (b) there was no injustice to the other side if it could be compensated by costs; and (c) the other side was not injured.

[10] Looking at the history of the case, the amendment to the statement of defence by the adding of the counterclaim was nothing more than a tactical manoeuvre by the defendant to deprive the plaintiffs from the judgment seat. There was an admission of negligence in preparing the original statement of defence. The delay in proposing the amendments to the statement of defence had prejudiced the plaintiffs. The proposed counterclaim had caused an injustice to the plaintiffs and no amount of costs could right the wrong done to the plaintiffs. In short, the proposed counterclaim had injured the plaintiffs.

[Amendments to paras 4 & 5 allowed; proposed counterclaim disallowed; and costs to the plaintiffs.]

Cases referred to:

Allen v. Jambo Holdings Ltd [1980] 2 All ER 502 ***(cit)***
Allen v. Sir Alfred McAlpine & Sons Ltd [1968] 2 QB 229 ***(cit)***
American Cyanamid [1975] 1 All ER 504 ***(refd)***
Attorney-General v. Albany Hotel Company [1896] 2 Ch 696 ***(refd)***
Bird v. Harris [1881] WN 5 CA ***(cit)***
Clark v. Girdwood [1877] 7 Ch D 9 ***(cit)***
Columbia Pictures v. Robinson [1987] Ch 38 ***(cit)***
Cooke v. Swinfen [1967] 1 All ER 299 ***(cit)***
Cox v. Leech [1857] 1 CBN 617 ***(cit)***
Dickinson v. Jones Alexander & Co [1990] Fam Law 137 ***(cit)***
Gill v. Lougher [1830] 1 Cr & J 170 ***(cit)***

Godefroy v. Joy [1831] 7 Bing 413 ***(cit)***
Government of State of Pahang v. Tengku Abdul Aziz & Anor [1978] 2 MLJ 34 FC ***(refd)***
Fitzpatrick v. Batger & Co Ltd [1967] 2 ALL ER 657 ***(cit)***
Foster v. Elsley [1881] 19 Ch D 518 ***(cit)***
Fray v. Foster [1859] 1 F & F 681 ***(cit)***
Harbin v. Masterman [1896] 1 Ch 351 CA ***(cit)***
Harrington v. Binns [1863] 1 F & F 942 ***(cit)***
Hart v. Frame [1839] 6 CI & Fin 193 ***(cit)***
Heywood v. Wellers (a firm) [1976] QB 446 ***(cit)***
Hock Hua Bank Bhd v. Leong Yew Chin [1987] 1 CLJ 126 ***(refd)***
Hunter v. Caldwell [1874] 10 QB 69 ***(cit)***
Ismail Ibrahim & Ors v. Sum Poh Development Sdn Bhd & Anor [1988] 1 CLJ 632 ***(refd)***
Jacks v. Bell [1828] 3 C & P 316 ***(cit)***
Jatch v. Lewis [1861] 3 F & F 467 ***(cit)***
Khan Kam Chee v. Loke Wan Yat Realty Sdn Bhd [1974] 1 MLJ 206 ***(refd)***
Kitchen v. RAF Association [1958] 2 All ER 241 ***(cit)***
Lavery v. Pursell [1888] 39 Ch D 508 ***(cit)***
Lee v. Dixon [1863] 3 F & F 744 ***(cit)***
Lim Kean v. Choo Koon [1970] 1 MLJ 158 ***(refd)***
Malayan Banking Ltd v. Ting Ee Ngieng & Anor [1965] 2 MLJ 160 ***(refd)***
Malyon v. Lawrance, Messer & Co [1968] 2 Lloyd's Rep 539 ***(cit)***
Manley v. Palacke [1895] 73 LT 98 ***(cit)***
McKenna v. Richey [1950] VLR 360 ***(cit)***
Myers v. Elman [1940] AC 282 ***(cit)***
Nasri v. Mesah [1971] 1 MLJ 32 FC ***(refd)***
Oakacre Ltd v. Claire Cleaners (Holdings) Ltd [1982] Ch 197 ***(cit)***
Oswald Hickson Collier & Co v. Carter-Ruck [1984] All ER 5 ***(cit)***
Ottley v. Gilby [1845] 8 Beav 602 ***(cit)***
Plant v. Pearman [1872] 41 LJ QB 169 ***(cit)***
Ponnusamy & Anor v. Nathu Ram [1959] 25 MLJ 228 ***(refd)***
Price v. Bullen [1824] 3 LJOS KB 39 ***(cit)***
Re Clark [1851] 1 De GM & G 43 ***(cit)***
Reece v. Righy [1821] 4 B & Ald 202 ***(cit)***
Ridley v. Tiplady [1855] 20 Beav 44 ***(cit)***
Roe v. Robert McGregor & Sons Ltd [1968] 2 All ER 636 ***(cit)***
Sill v. Thomas [1839] 8 C & P 762 ***(cit)***
Sykt Pengangkutan Sakti Sdn Bhd v. Tan Joo Khing t/a Bengkel Sen Tak [1997] 3 CLJ 754 ***(cit)***
Tamplin v. James [1880] 15 Ch D 215 ***(cit)***
Williams v. Gibbs [1836] 5 Ad & E 1208 ***(cit)***
Yamaha Motor Co Ltd v. Yamaha Malaysia Sdn Bhd & Ors [1983] 1 CLJ 191 ***(refd)***
Yardley v. Coombes [1963] 107 Sol Jo 575 ***(cit)***
Yew You & Anor v. Mah Poay Koh & Anor [1970] 1 MLJ 57 ***(refd)***

Legislation referred to:
Rules of the High Court 1980, O. 18 rr. 5(1), 20(1)(a), O. 29 r. 1(4), O. 52 r. 2
United Kingdom Designs (Protection) Act 1949, ss. 3, 6

For the plaintiffs - Gan Techiong; M/s Gan & Lim
For the defendant - Jeffrey CH Foong; M/s LC Chong & Co

Reported by Ling Hea Hoon

JUDGMENT

Abdul Malik Ishak J:

This was an appeal to the judge-in-chambers (encl. 75) that emanated from the decision of the senior assistant registrar ('SAR') who dismissed with costs the defendant's summons-in-chambers application in encl. 58 to amend the statement of defence. The plaintiffs' claims based on their rights to two registered designs registered in the United Kingdom vide registration numbers 2017970, 2017971 and 2014282, 2014283. In short, the plaintiffs' were the registered proprietors of two designs: one was in regard to a mosquito net while the other was a cover primarily used for food and the like. A notice was published on p. 4 of the Nanyang Siang Pau (Malaysian edition) on 5 December 1991, and on p. 4 of the Sin Chew Jit Poh (Malaysian edition) on 13 April 1992 giving notice to the world at large, so to speak, that the plaintiffs were the registered proprietors of the two designs. The United Kingdom Designs (Protection) Act 1949 (Act 214) ('UK Act') is an Act to provide for the protection in West Malaysia of designs registered in the United Kingdom and s. 3 thereof enacts as follows:

> Subject to the provisions of this Act, the registered proprietor of any design registered in the United Kingdom under the Registered Designs Act 1949, or any Act amending or substituted for that Act, or any person deriving his right from such registered proprietor by assignment, transmission, or other operation of law, shall enjoy in West Malaysia the like privileges and rights as though the Certificate of Registration in the United Kingdom had been issued with an extension to West Malaysia.

Section 6 of the UK Act appears beneficial to the plaintiffs for it enacts as follows:

> A certificate purporting to be under the hand of the Comptroller-General of United Kingdom Patents Designs and Trade Marks shall be *prima facie* evidence of the registration of any design in the United Kingdom and of any particulars contained in such certificate.

Now, the proposed amendments to the statement of defence contained two parts. The first part was in regard to the original defence while the second part introduced, for the first time, a counterclaim encompassed within paras. 13 to 22 (a) till 22 (f). All these can be seen in exh. "CLC1" of encl. 58A (the affidavit of Mr. Chong Lee Chang that was affirmed on 6 March 1993). Paragraphs 4 and 5 of the proposed amended statement of defence sought to delete the words "cap dagangan" and to substitute it with the words "rekabentuk-rekabentuk." Mr. Gan Techiong, the learned counsel for the plaintiffs, magnanimously conceded to the proposed amendments to paras. 4 and 5 of the Statement of Defence provided that the costs be borne by the defendants. Mr. Jeffrey C.H. Foong, the learned counsel for the defendants, argued that this concession would mean that the entire appeal would not be dismissed and this court has the jurisdiction to allow part of the amendments as sought for. This friendly discourse by both solicitors disposed of the first part of the proposed amendments to the statement of defence – an attitude that has seen better days in the past and hopefully its revival will be everlasting.

Mr. Gan Techiong argued that the addition of the counterclaim was nothing more than a tactical manoeuvre. Indeed Mr. Jeffrey C.H. Foong submitted that the counterclaim was designed to suit and come in tandem with the UK Act. This admission by the learned counsel for the defendant brings to the forefront of my mind the passage that appeared in the judgment of Good J. in the case of *Ponnusamy & Anor v. Nathu Ram* [1959] 25 MLJ 228 where his Lordship observed:

> This application is in the nature of a tactical manoeuvre – I use the expression in no derogatory or critical sense – designed to rescue the defendant from the predicament into which he has fallen by reason of my ruling this morning on the admissibility of certain evidence.

I shall now proceed to set out verbatim the proposed counterclaim of the defendant in the order as they appeared in exh. "CLC1" of encl. 58A:

TUNTUTAN BALAS

13. Defendan mengulangi perenggan 1 sehingga perenggan 12 tersebut di atas.

14. Ianya adalah diperuntukkan dibawah Akta Rekabentuk-Rekabentuk Berdaftar 1949 United Kingdom (Registered Designs Act 1949) sepertimana yang dirujuk kepada dan diambil pakai dalam Akta (Perlindungan) Rekabentuk-Rekabentuk United Kingdom (1949) bahawa sesiapa yang mempunyai kepentingan boleh memohon untuk satu deklarasi bahawa perlindungan dan hak eklusif dalam rekabentuk-rekabentuk berkenaan tidak diperolehi di Malaysia dibawah Akta ini berdasarkan sebarang alasan yang mana pendaftaran tersebut boleh dibatalkan mengikut undang-undang yang berkuatkuasa di United Kingdom pada ketika itu.

15. Salah satu alasan yang diperuntukkan oleh undang-undang United Kingdom untuk membatalkan pendaftaran berkenaan adalah peruntukan Akta Rekabentuk-Rekabentuk Berdaftar 1949 United Kingdom (Registered Designs Act 1949) bahawa rekabentuk-rekabentuk berkenaan bukannya satu rekabentuk yang baru atau asli dan/atau ianya sebenarnya rekabentuk-rekabentuk yang biasa pada tarikh pendaftarannya di United Kingdom.

16. Rekabentuk-rekabentuk yang didakwa telah didaftar oleh Plaintif telah pun wujud di pasaran terbuka lebih kurang 10 tahun sebelum ianya didaftarkan.

17. Dengan itu, jelas terdapatnya penyiaran tentang rekabentuk tersebut sebelum pendaftarannya.

18. Berikutannya, pendaftaran rekabentuk-rekabentuk yang didakwa oleh Plaintif tidak sepatutnya dibenarkan pada permulaannya dan/atau sepatutnya di batalkan.

19. Selanjutnya, permohonan Plaintif untuk satu injunksi terhadap Defendan juga telah dibuat secara salah kerana ketiadaan hak pada pihak Plaintif pada permulaannya.

20. Dengan itu, Defendan berhak untuk mendapatkan gantirugi bagi sebarang akibat dari injunksi yang telah diberi dan/atau yang mungkin akan diberi terhadap Defendan.

21. Tambahan pula, Defendan telah dan/atau akan mengalami kesusahan dan kerugian akibat dari injunksi yang dipohon oleh Plaintif walaupun pihak Plaintif tiada sebarang hak untuk berbuat demikian.

22. Di mana, Defendan memohon penghakiman terhadap Plaintif untuk:-

(a) gantirugi am;

(b) satu deklarasi bahawa perlindungan dan hak eksklusif dalam rekabentuk-rekabentuk berkenaan tidak diperolehi oleh Plaintif di Malaysia di bawah Akta (Perlindungan) Rekabentuk-Rekabentuk United Kingdom 1949;

(c) pembetulan daftar rekabentuk-rekabentuk secara pembatalan pendaftaran rekabentuk-rekabentuk No: 2014282, 2014283, 2017970 dan 2017971;

(d) faedah pada kadar 8% bagi gantirugi am dari tarikh injunksi sehingga penepian atau penarikan balik;

(e) kos tindakan ini; dan

(f) relief selanjutnya yang difikirkan sesuai atau berpatutan oleh Mahkamah Yang Mulia ini.

Lawyering has never been easy. Mr. Chong Lee Chang, an advocate and solicitor, who affirmed the affidavit in encl. 58A conveyed the impression that it was his negligence – the root cause for the failure to insert the counterclaim. Great care must be exercised when drafting a pleading. An advocate and solicitor is free to choose his client. The converse is also true. A client has the basic right to counsel of his own choice: *Oswald Hickson Collier & Co v. Carter-Ruck* [1984] All ER 5; *Foster v. Elsley* [1881] 19 Ch. D. 518; and *Sim Kee Guan v. Public Prosecutor* [1988] 2 MLJ 382. But once the solicitor and client relationship has been established the relationship becomes onerous as the solicitor must act professionally in the discharge of his fiduciary duty (*Bird v. Harris* [1881] WN 5 CA). "Negligence" is an ugly word. In contentious matters counsels are well advised to tread cautiously. It is now well established by authorities that negligence existed in the following set of circumstances:

(1) Where before instituting the action, and this includes preparing the pleading, counsel failed to investigate with meticulous care into the cause of action (*Gill v. Lougher* [1830] 1 Cr. & J 170; and *Ottley v. Gilby* [1845] 8 Beav 602).

(2) While preparing the pleading counsel knew that his client had done some act which would preclude that client from recovering but counsel, all the same, neglected to address this point to the knowledge of the client or to point this out to the client (*Jacks v. Bell* [1828] 3 C & P 316).

(3) Where counsel knew that success was improbable yet counsel advised his client to enter into litigation (*Re Clark* [1851] 1 De GM & G. 43).

(4) Where counsel relied and proceeded under a wrong statute or section of a statute (*Hart v. Frame* [1839] 6 CI & Fin. 193, HL) or failed to refer to the correct statute.

(5) Where an action was filed in the wrong court, for example in the Malaysian context where the action was filed in the Sessions Court whereas it should have been before the High Court (*Lee v. Dixon* [1863] 3 F & F 744; and *Barker v. Fleetwood Improvement Comrs* [1890] 62 LT 831 which was later affirmed by the Court of Appeal vide 6 TLR 430, CA). A classic example would be *Heywood v. Wellers (a firm)* [1976] QB 446; [1976] 1 All ER 300 CA, where proceedings which were more suitable to the Magistrates' Court were begun in the High Court.

(6) Where the action was filed in an inferior court (like the Magistrate's Court) although counsel knew all along that the cause of action was outside the jurisdiction of that inferior court (*Williams v. Gibbs* [1836] 5 Ad & E 1208 and *Cox v. Leech* [1857] 1 CBN 617).

(7) Where there was a failure to issue the writ or renew the writ in time to prevent the application of (in the local context) the Limitation Act 1953 (Revised 1981) Act 254. A rather consistent flow of authorities emerged from time to time and reference may be made to *Hunter v. Caldwell* [1874] 10 QB 69; *Yardley v. Coombes* [1963] 107 Sol Jo 575; *Kitchen v. RAF Association* [1958] 2 All ER 241, [1958] 1 WLR 563 CA; and *Malyon v. Lawrance, Messer & Co* [1968] 2 Lloyd's Rep. 539. It is interesting to note that in *Malyon's* case the solicitor's delay had caused severe anxiety to the plaintiff with the consequential loss to his business and the court there held that the plaintiff should rightly recover damages from that solicitor.

(8) Where counsel dragged his feet causing not only delay but inexcusable delay in instituting the claim in the court of law (*Fitzpatrick v. Batger & Co Ltd* [1967] 2 All ER 657, [1967] 1 WLR 706, CA; and *Allen v. Sir Alfred McAlpine & Sons Ltd* [1968] 2 QB 229, [1968] 1 All ER 543 CA).

(9) Where counsel failed to prepare the case properly for trial (*Manley v. Palacke* [1895] 73 LT 98, PC; *Roe v. Robert McGregor & Sons Ltd* [1968] 2 All ER 636, [1968] 1 WLR 925, CA. It is interesting to ponder that the court there held that there was no duty on the defendant's solicitor to interview a passenger in the plaintiff's car. Perhaps the rationale for this judgment would be to avoid the pitfalls of what I have said in *Syarikat Pengangkutan Sakti Sdn Bhd v. Tan Joo Khing T/A Bengkel Sen Tak* [1997] 3 CLJ 754). It is instructive to read the case of *Dickinson v. Jones Alexander & Co* [1990] Fam Law 137 where there was a negligent advice given to a wife in regard to an ancillary relief.

(10) Where counsel failed to note the presence of a material witness whom his client had wanted to call was present in court and consequently that material witness was not called to the stand with the result that the client lost the case (*Reece v. Righy* [1821] 4 B & Ald 202; *Jatch v. Lewis* [1861] 3 F & F 467 at 472 and *Price v. Bullen* [1824] 3 LJOS KB 39).

(11) Where the counsel knew that there was a good defence to the action but counsel simply allowed the plaintiff to obtain judgment by default (*Godefroy v. Joy* [1831] 7 Bing 413 and *Cooke v. Swinfen* [1967] 1 All ER 299, [1967] 1 WLR 457 CA).

(12) Where counsel miserably failed to issue execution (*Ridley v. Tiplady* [1855] 20 Beav 44; *Fray v. Foster* [1859] 1 F & F 681; and *Harrington v. Binns* [1863] 1 F & F 942).

(13) Where there was an offer to compromise but counsel failed to communicate to his client (*Sill v. Thomas* [1839] 8 C & P 762).

(14) Where counsel knew that the appeal was bound to fail yet he advised his client to proceed with that appeal (*Harbin v. Masterman* [1896] 1 Ch. 351 CA).

(15) Where counsel totally neglected and failed to file a pending action when directed (*Plant v. Pearman* [1872] 41 LJ QB 169).

Credit should be given to Mr. Chong Lee Chang for affirming that affidavit. He has made full disclosure to the court. Scott J in *Columbia Pictures v. Robinson* [1987] Ch. 38 observed that both the solicitor and counsel acting for the applicant owe a duty of full disclosure to the court. Mere negligence, in law, is insufficient to support an order against a solicitor to pay costs (*Clark v. Girdwood* [1877] 7 Ch. D 9; and *Myers v. Elman* [1940] AC 282). Be that as it may, the UK Act had been in existence since 1949 and the statement of claim at para. 3 alluded to the fact the plaintiffs were the registered proprietors of two designs registered in the United Kingdom. This assertion should have alerted the defendant's counsel to refer to the UK Act so as to appraise himself of the law and prepare the statement of defence professionally. This was not to be.

Paragraph 22(c) of the proposed counterclaim was obviously negligently drafted as it should not be there in the first place and Mr. Jeffrey C.H. Foong took the right course of action when he orally withdrew it in the course of his submission. But, in my judgment, an oral application to withdraw para. 22(c) of the proposed counterclaim should not be entertained in the manner as proposed by Mr. Jeffrey C.H. Foong. A formal application is called for and should be the only course to be adopted. Obviously the prayer at para. 22(c) of the proposed counterclaim was beyond the jurisdiction of this court to grant. The plaintiffs discovered that their two registered designs had been infringed by the defendant and a letter of warning was issued to the latter but to no avail. The plaintiffs had no choice and they obtained an *ex parte* injunction against the defendant. This was on 15 June 1992 and the *ex parte* injunction

was granted by James Foong J. There was non compliance to that *ex parte* injunction and by an *ex parte* notice of motion in enclosure 38, the plaintiffs sought leave under O. 52 r. 2 of the Rules of the High Court 1980 ('RHC') to commit the directors of the defendant's company, namely Chong Sian Tot, Lee Yok Kiaw and Chong Siong Chuan and their agents for failure to abide to the injunctive order of the court. On 8 November 1992 James Foong J granted leave as reflected in the order in encl. 51. Finally, an *inter partes* hearing was heared on 10 November 1992 where the defendant sought to set aside that *ex parte* injunction. James Foong J gave judgment to the plaintiffs by ordering the injunction to remain and ordered the defendant to pay costs. The defendant did not lodge an appeal against the decision of James Foong J and till today the injunction remained intact.

Incidentally, para. 22(a) of the counterclaim sought for general damages. Mr. Gan Techiong rightly argued that in running down cases where negligence have been proved on the balance of probabilities there would always be a prayer for damages. That negligence must be proved on the balance of probabilities is amply explained by Ong Hock Thye CJ (as he then was) in *Yew You & Anor v. Mah Poay Koh & Anor* [1970] 1 MLJ 57, 59 in these words:

> It is elementary law that the onus on the plaintiffs is satisfactorily discharged once it appears to the court on balance of probabilities that the circumstances are more consistent than not with the defendants' negligence. Evidence in support of the plaintiffs' case is not necessarily confined to what is adduced on their behalf, but the whole of the evidence, from whatever source, must also be taken into consideration. In my view, accordingly, the mere fact that the evidence of the alleged eye-witness proved worthless is far from conclusive against the plaintiffs. In the nature of things the plaintiffs were compelled to rely mainly on the mute testimony of the sketch plan and photographs, together with the observations of the investigating officer as the foundation of their case. They could also avail themselves of admissions by the defence.

Damages are generally sought where the cause of action is grounded on contract. Thus, where there is a breach of contract damages would naturally flow from it. It is a correct statement of the law to say that if specific performance is impossible or is refused the plaintiff will usually be entitled to damages at law for the breach of contract. However, equitable damages may be claimed in some cases where damages at law cannot be recovered. Thus, damages in equity may be recovered in a situation where the action was begun before the contractual date for completion had arrived (*Oakacre Ltd v. Claire Cleaners (Holdings) Ltd* [1982] Ch. 197, [1981] 3 All ER 667) but this would only be in circumstances where the court declined to exercise its discretion to grant specific performance (*Tamplin v. James* [1880] 15 Ch. D. 215, CA; *McKenna v. Richey* [1950] VLR 360, [1950] ALR 778 (Vict); and *Lavery*

v. Pursell [1888] 39 Ch. D 508 especially at p. 519 of the decision of Chitty J). Damages would also flow from a breach of trust. But the present preceedings were not grounded on contract or trust or for that matter, not a running down case. It was grounded on the UK Act and the implications thereunder.

It is germane to highlight a very pertinent point. It is this. That paras. 13 to 21 of the counterclaim do not disclose a cause of action which calls for a prayer for general damages. Yong J in *Lim Kean v. Choo Koon* [1970] 1 MLJ 158 defined a cause of action by reference to certain authorities. This was what his Lordship said:

> A cause of action normally accrues when there is in existence a person who can sue and another who can be sued, and when all the facts have happened which are material to be proved to entitle the plaintiff to succeed. (See *Halsbury's Laws of England*, 3rd Edn, pp. 193 and 194).
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> In *Cooke v. Gill* [1873] LR 8 CP 107, 116, Brett J defined 'a cause of action' to mean 'every fact which is material to be proved to entitle the plaintiff to succeed.' This definition was approved by the Court of Appeal in *Read v. Brown* [1888] 22 QBD 128, 131 in which Lord Esher MR in his grounds of judgment said that it included 'every fact which it would be necessary for plaintiff to prove, if traversed, in order to support his right to the judgment of the court.

In *Nasri v. Mesah* [1971] 1 MLJ 32 FC, Gill FJ had this to say in regard to a cause of action:

> A 'cause of action' is the entire set of facts that gives rise to an enforceable claim; the phrase comprises every fact which, if traversed, the plaintiff must prove in order to obtain judgment (per Lord Esher MR in *Read v. Brown* [1888] 22 QBD 128, 131). In *Reeves v. Butcher* [1891] 2 QB 509, 511, Lindley LJ said:
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> > This expression, 'cause of action', has been repeatedly the subject of decision, and it has been held, particularly in *Hemp v. Garland* LR 4 QB 519, decided in 1843, that the cause of action arises at the time when the debt could first have been recovered by action. The right to bring an action may arise on various events; but it has always been held that the statute runs from the earliest time at which an action could be brought.
> >
> > In *Board of Trade v. Cayzer, Irvine & Co* [1927] AC 610, 617, Viscount Dunedin described 'cause of action' as that which makes action possible.

Paragraph 21 of the proposed counterclaim adverted to the hardship incurred by the defendant as a result of the existence of the injunction in favour of the plaintiffs and that paragraph continued further to say that the plaintiffs were not entitled to that injunction. Indeed this paragraph did not give the correct position of the whole case. It was a paragraph couched to mislead and did

mislead. As I said the defendant did not appeal against the decision of James Foong J that was handed down on 10 November 1992 where the injunction against the defendant was allowed to remain. Paragraph 21 of the proposed counterclaim was related to the undertaking as to damages by the plaintiffs and that undertaking formed part and parcel of the order of the court dated 15 June 1992 as reflected in encl. 10. It is trite law that the court is empowered to require an undertaking of any kind from the applicant or to impose any condition as it thinks just before granting an interlocutory injunction. In England, it is the practice for the court to require the applicant to abide by any order the court may subsequently make for the payment of damages to the respondent for the loss suffered because of the grant of that injunction. In the context of the present case, an undertaking as to damages was in fact included in encl. 10. It is not out of place to mention that the possibility of a "wrong decision" being made at the interlocutory stage is real and in the words of Lord Diplock in the *American Cyanamid* case [1975] 1 All ER 504 at p. 509a:

> ... when an application for an interlocutory injunction to restrain a defendant from doing acts alleged to be in violation of the plaintiffs' legal right is made on contested facts, the decision whether or not to grant an interlocutory injunction has to be taken at a time *ex hypothesis* the existence of the right or violation of it, or both, is uncertain and will remain uncertain until final judgment is given in the action.

Needless to say the purpose of the undertaking as to damages is to vest the court with the appropriate jurisdiction to make the appropriate orders to recompensate the loss suffered by the defendant in the event it is proved that the plaintiffs were not entitled to the injunction in the first place. Unless an undertaking is given, the defendant will hardly have any recourse against the plaintiffs. An undertaking as to damages is not provided for in the statute book. It is the child of the common law. Thus, in *Attorney-General v. Albany Hotel Company* [1896] 2 Ch. 696 CA the headnote reads as follows:

> In granting an interlocutory injunction at the instance of the Attorney-General on behalf of the Crown, the court will not, as a general rule, require the Attorney-General to give the undertaking in damages usually required from an ordinary plaintiff as a condition of his obtaining such as injunction.

This case was decided by North J which was finally confirmed by the Court of Appeal (Lindley and Lopes LJJ). In the main body of the judgment of North J, this was what his Lordship said:

The question upon which I have now to give my decision is, whether the usual rule of the court, that an applicant for an interlocutory injunction must give an undertaking to be answerable in damages as a condition of his obtaining the injunction, applies when the Attorney-General is the plaintiff, suing on behalf of the Crown. This rule is one of comparatively recent introduction, and its history is given by Sir George Jessel in *Smith v. Day* 21 Ch. D. 421, though the subsequent decision of the Court of Appeal in *Griffith v. Blake* 27 Ch. D. 474 shews that it is not of such limited application as is there stated. The insertion of such an undertaking has now become a matter of course; and James LJ in *Graham v. Campbell* 7 Ch. D. 490 said that the undertaking in damages ought to be given on every interlocutory injunction, and, unless under special circumstances, effect ought to be given to it. If it should subsequently appear that such an order had been improvidently made, it is difficult to see how, in the absence of such an undertaking, the defendant could recover from the plaintiff the damages which were really sustained by him by reason of the improper order of the court. Upon drawing up an order for an interlocutory injunction the registrar invariably inserts such an undertaking on the part of the plaintiff, even though, as frequently happens, it has not been mentioned in court, but has been taken for granted. Of course such an undertaking must be voluntary: the court cannot compel a person to give an undertaking; and if the plaintiff declines to give it, either in court or before the registrar, the order will not be made, or, if pronounced, will not be drawn up.

His Lordship then continued:

If in the exercise of his discretion a judge should think fit to dispense with such an undertaking he could of course do so, and there are cases in which judges have done so; but this would only be under special circumstances. In the absence of any express direction of the judge to the contrary, the undertaking will always be inserted in the order. Then is the Crown an exception to this general rule? And is it the practice of the court to abstain from imposing, when an action is by the Attorney-General on behalf of the Crown, a condition which it would impose if the plaintiff in the action were any other person? The only decision reported upon the point seems to be the *Secretary of State for War v. Chubb* in 1880; and that is reported only in 43 LT (NS) 83. I have the shorthand notes of the case before me, and Jessel MR refused to make any order unless the undertaking was given. It is not very easy to understand upon what grounds that case was so decided. The defendant's counsel admitted that he could not have asked for damages from the Crown, and claimed them upon the ground that the plaintiff was not the Crown but the Secretary of State for War, who was expressly made a corporation, and the reason given by the Master of the Rolls was that he ought not to make any distinction between a case in which the Secretary of State was suing in respect of his right of property and the case of any 'other individual' – a curious phrase to use of the Crown, if that was what he meant. But, assuming that case to go the whole length contended for, it seems to me to stand alone. It was not founded on any previous decision, and no later decision has followed it.

We have moved with the times. Order 29 r. 1(4) of the RHC states that: "An order for interim injunction must be in Form 58." That Form is worded thus:

No. 58

ORDER FOR INTERIM INJUNCTION (O. 29 r. 1)

(Title as in action)

Upon the application of ... and upon reading the affidavit of ... filed the ... day of ..., 19 ... and upon hearing ..., and the plaintiff by his said ... undertaking to abide by any order the court or a judge may make as to damages in case the court or a judge should hereafter be of opinion that the defendant ... shall have sustained any by reason of this order which the plaintiff ought to pay. It is ordered and directed that the defendant(s) (a) ... by himself (themselves) his (their) agents or servants or otherwise be restrained, and an Injunction is hereby granted restraining him (them) from ...

Dated the ... day of ..., 19 ...

(Seal)

...

Registrar

(a) Where the injunction is against a limited company or a corporate body, the Form should read: "that the defendants (insert name of company or corporate body) by their agents or servants or otherwise be restrained, etc.

NOTES

Form 58 was amended by the Rules of the High Court (Amendment) 1993 (PU(A)192/93) para 11 (b).

Clearly, an undertaking as to damages has been inserted in Form 58 of the RHC and that is the law of the country before an interim injunction is granted.

The ability of the applicant to honour his undertaking is a material factor in the balance of convenience (*American Cyanamid* case) but the courts will not deny the applicant an interlocutory injunction simply because he is of limited financial means (*Allen v. Jambo Holdings Ltd* [1980] 2 All ER 502). Of course, it is the duty of the applicant to show to the court the circumstances which may affect the value of the undertaking.

So much for the undertaking as to damages. Now to the crux of the problem.

In regard to the proposed amendments to the statement of defence, reference will now be made to the authorities reported in the journals. Suffice for this exercise that reference be made to seven of such cases. For a start would be *Ponnusamy & Anor v. Nathu Ram (supra)* where Good J had this to say:

> But there is an abundance of authority for the proposition that in dealing with an application to amend the pleadings the court should consider the materiality and the effectiveness of the amendment, and it is a well-established practice not to allow an amendment where it appears that such an amendment would be useless.
>
> Taking the first of those proposition, Bowen LJ in the case of *Lawrence v. Lord Norreys* [1888] 39 Ch. D. 213, 215 says:
>
> > No court ought to refuse leave to make such amendments (that was with reference to a later amendment alleging fraud) if it saw any reasonable prospect, or, I may say, reasonable probability, that a case could be made of fraud which would defeat the statute – that there was any substance in the case, that it was not simply fiction and imagination.
>
> That passage goes to show that the court should look at the probable consequence of the amendment, and it would appear to follow that if the amendment would be ineffectual then it ought not to be allowed to be made. That principle was followed in the case of *Morel Brothers & Co Limited v. The Earl of Westmoreland* [1903] 1 KB 77 as appears from the judgment of the Master of the Rolls where he refused an application to amend the pleadings on the ground that the plaintiffs would fail even if the amendment were allowed.

This would be followed by the case of *Malayan Banking Ltd v. Ting Ee Ngieng & Anor* [1965] 2 MLJ 160 where McGilligan J said:

> In *Mallal's 'Supreme Court Practice'* at p. 342 the general principle is stated to be that the court will allow such amendments as will cause no injustice to the other side. It is also said, quoting from the case of *Looi Guan Kway v. Low Lean Bok* [1938] MLJ 35 that to determine whether injustice would or would not result a court will ask the following three questions:
>
> (1) Is the application for amendment made *bona fide*?
>
> (2) Will the amendments asked for cause no prejudice to the other side which cannot be compensated by costs?
>
> (3) Are the amendments asked for such as to turn a suit of one character into a suit of another and inconsistent character?
>
> I am satisfied that these are the questions a court should ask itself in such an application as this for amendment of pleadings, and I believe it fair to say that both advocates agree.

Next, would be the case of *Khan Kam Chee v. Loke Wan Yat Realty Sdn Bhd* [1974] 1 MLJ 206, where Mohamad Azmi J (now FCJ) said:

> It is a well established principle that an application for amendment of pleadings should be allowed unless it will entail injustice to the other side, and normally injustice will result to the other side if:
>
> (1) the application is made *mala fide*; or
>
> (2) the proposed amendments will prejudice the other party which cannot be compensated by costs; or
>
> (3) the proposed amendments will turn the character of the suit into one of entirely different character.
>
> It is my finding that the new averments in paras. 13 to 16 constitute a proper defence in the alternative; and, in my considered opinion, no injustice will result to the plaintiff if that part of the application is allowed. Further, on 19 October 1973 the solicitor for the plaintiff wrote to the defendant's solicitor alleging that the statement of defence was vague. Under the circumstances, there is no reason why the plaintiff should now object to the proposed amendments in the statement of defence.

In *Government of State of Pahang v. Tengku Abdul Aziz & Anor* [1978] 2 MLJ 34 FC, the headnote reads as follows:

> The appellant should be given leave to amend. No party had been taken by surprise or prejudiced by reason of the application. The application did not deny the respondent's right to pursue the action. Dismissal however would deny the appellant a defence which was clearly open to them.

Mohamed Azmi FJ speaking for the then Federal Court in *Yamaha Motor Co Ltd v. Yamaha Malaysia Sdn Bhd & Ors* [1983] 1 MLJ 213 had this to say:

> Under O. 20 of the Rules of the High Court 1980, which is equivalent to O. 28 Rules of Supreme Court, a judge has a discretion to allow leave to amend pleadings. Like any other discretion, it must of course be exercised judicially (see *Kam Hoy Trading v. Kam Fatt Tin Mine* [1963] MLJ 248). The general principle is that the court will allow such amendments as will cause no injustice to the other parties. Three basic questions should be considered to determine whether injustice would or would not result, (1) whether the application is *bona fide;* (2) whether the prejudice caused to the other side can be compensated by costs and (3) whether the amendments would not in effect turn the suit from one character into a suit of another and inconsistent character. (See *Mallal's Supreme Court Practice* p. 342). If the answers are in the affirmative, an application for amendment should be allowed at any stage of the proceedings particularly before trial, even if the effect of the amendment would be to add or substitute a new

cause of action, provided the new cause of action arises out of the same facts or substantially the same facts as a cause of action in respect of which relief has already been claimed in the original statement of claim.

In another part of the judgment, Mohamed Azmi FJ in *Yamaha Motor* continued in serious vein:

There is nothing in the appeal record and the argument before us to suggest that the appellants' application was made *mala fide*, or that whatever prejudice that might be caused to the respondents cannot be compensated by costs. Nor have the respondents been able to show that by such amendment, the original suit would be turned into a suit of different and inconsistent character.

The majority judgment of the Supreme Court in *Hock Hua Bank Berhad v. Leong Yew Chin* [1987] 1 CLJ 126 (per Abdul Hamid Omar Acting LP Malaysia and Syed Agil Barakbah SCJ) compendiously set out in the headnote, reads as follows:

(a) The point taken by the appellants turned wholly upon the scope of r. 5 of O. 20 and is essentially a question of law.

(b) The main principle with regard to amendments is that they will be allowed at any stage of the proceedings on such terms as the court thinks fit and just. However, the court will refuse leave to allow such amendments if it results in prejudice or injury to the other party which cannot be compensated by costs.

(c) It is clear that the court has a discretionary power to grant an amendment after the expiry of the limitation period notwithstanding that the effect of the amendment will be to add or substitute a new cause of action subject to one very important condition, namely, that the new cause of action must arise out of the same or substantially the same facts as the cause of action in respect of which relief had already been claimed.

(d) The fact that a new relief or substantially new relief has arisen out of a new cause of action should not be a bar to the Court's power to grant leave under r. 5. A new or substantially new relief which arises out of a new cause of action is in effect ancillary to the new cause of action.

The last authority worth referring to would be the case of *Ismail bin Ibrahim & Ors v. Sum Poh Development Sdn Bhd & Anor* [1988] 3 MLJ 348 where the court there refused leave to the plaintiffs to amend their writ under O. 20 r. 5(1) of the RHC and the headnote was worded thus:

(1) The rule governing the amendment of pleadings is that the court will allow such amendments as will cause no injustice to the other parties. However, there are two circumstances in which an amendment to add an allegation

of fraud would not be permitted: (a) where the facts giving rise to the plea of fraud were known at the time of the original pleading and (b) where the delay in pleading fraud was in connection with some tactical manoeuvre.

(2) In the present case, there has been considerable delay on the part of the plaintiffs to make an application to amend their pleadings. This delay was to avoid the original writ and statement of claim from being struck out. It was thus a tactical manoeuvre.

(3) Looking at the original claim, it was obvious that the facts giving rise to the plea of fraud were known to the plaintiffs or their solicitors much earlier.

In the main body of the judgment, Mohamed Dzaiddin J (now FCJ) after reviewing the facts said:

> The general principle of amendments of pleadings has clearly been enunciated in *Yamaha* [1983] 1 MLJ 213 following some of the well-known English cases decided for over a century. In *Clarapede & Co v. Commercial Union Association* [1883] 32 WR 262, Brett MR stated as follows:
>
> > The rule of conduct of the court in such a case is that, however negligent or careless may have been the first omission, and however late the proposed amendment, the amendment should be allowed if it can be made without prejudice to the other side. There is no injustice if the other side can be compensated by costs; but, if the amendment will put them in such a position that they must be injured it ought not to be made.

In another part of the judgment, Mohamed Dzaiddin J (now FCJ) observed that:

(2) There has been considerable delay on the part of the plaintiffs to make this application. The amendments should be allowed however late the proposed amendment is, if it can be made without prejudice to the opposite party. However, in the present application, one has to view the question of delay in the light of the following factors. First, can the plaintiffs succeed in their claim against the second defendant on the original pleading? In all probability, they cannot. They would have faced the same problem and obstacle as the respondent in *Hajah Rajiah* [1987] 2 CLJ 154 had the second defendant's application under O. 18 r. 19 been heard within a reasonable period after the said application was filed and before the present application. Secondly, their delay in filing this application must have something to do with the outcome of the decision in *Hajah Rajiah* [1987] 2 CLJ 154. Hence, this application for amendment was made to avoid the original writ and the statement of claim from being struck out. It is this situation that Stocker LJ called a 'tactical manoeuvre.'

Later, in his judgment Mohamed Dzaiddin J (now FCJ) continued in these words:

> (4) Finally, it is as clear as day to me that both *Yamaha* [1983] 1 MLJ 213 and *Atkinson* [1987] 1 WLR 201 have crystallized the principle governing amendments of pleadings which was first enunciated in 1883 in *Clarapede* [1883] 32 WR 262. They are, however, not without exceptions. In the case of adding fraud, according to Stocker LJ in *Atkinson* [1987] 1 WLR 210, they cannot be allowed if the facts giving rise to the plea of fraud were all known earlier or where the delay was in connection with some tactical manoeuvre. In the present case, Mr. Chan has succeeded in persuading me to accept the exceptions identified by Stocker LJ as being relevant.

These authorities clearly laid down clear principles for this court to follow. Each case must be decided on its own facts. Brett MR's enunciation of the law in regard to an amendment in Clarapede must be the true guiding force. Here, both parties agree that the pleadings were effectually closed on 29 July 1992 as provided for under O. 18 r. 20(1)(a) of the RHC. There was delay in filing the proposed amendments to the statement of defence. That delay, be it through negligence or carelessness, would be immaterial as amendments would generally be allowed (*Hock Hua Bank Berhad v. Leong Yew Chin (supra)*) provided:

(1) The other side is not prejudiced.

(2) There is no injustice to the other side if it can be compensated by costs. This presupposes that there is injustice but the other side can be compensated by costs. As to the meaning of injustice it has been explained at length by the abovenamed authorities.

(3) The other side is not injured.

There was a chequered history behind this case. After the plaintiffs filed their writ of summons and the statement of claim on 14 June 1992 (encl. 2), they discovered that the defendant had infringed their two registered products. The plaintiffs succeeded in obtaining an interim injunction against the defendant but there was non-compliance to the interim injunction issued by the court. The plaintiffs took a drastic step and obtained leave to commit the directors of the defendant's company and their agents. Meantime, the inter partes hearing to set aside the interim injunction was heard and the judge ordered the injunction to remain. There was no appeal by the defendant and till today the injunction remained on record. In my judgment, with this scenario in mind the proposed amendments to the statement of defence was nothing more than a tactical manoeuvre to deprive the plaintiffs from their judgment seat. To

confound the matter further there was an admission of negligence in preparing the original statement of defence as reflected in enclosure 21A. For fear of repetition, the statement of claim revolved on the UK Act and its ramifications and the UK Act had been in existence since 1949. Indeed if defendant's counsel held the view that the challenge by way of incorporating the declaratory reliefs as set out in the proposed counterclaim could help the defendant in the defence, why was this not done at the earliest possible time. The delay had prejudiced the plaintiffs. The proposed counterclaim, in my judgment, had caused an injustice to the plaintiffs and no amount of costs could right the wrong done to the plaintiffs. In short, the proposed counterclaim had injured the plaintiffs. In my judgment, the negligence should go to the door of the counsel who prepared the original statement of defence in encl. 21A as the scope of "negligence" is indeed wide and far reaching as demonstrated in the early part of this judgment.

For these reasons, I allowed the amendments in paras. 4 and 5 of the proposed amended statement of defence but, with regret, the proposed amendments in paras. 13 to 22 (a) till 22 (f) of the proposed amended statement of defence were disallowed. Costs should rightly go to the plaintiffs. As usual, priority status be given to this case, like all other cases in this court, for trial. An early trial was highly recommended.